

1  
2  
3 **STATE OF OREGON**  
4 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**  
5 **DIVISION OF FINANCE AND CORPORATE SECURITIES**

6 **BEFORE THE DIRECTOR OF THE DEPARTMENT**  
7 **OF CONSUMER AND BUSINESS SERVICES**

8 In the Matter of:

**S-09-0071**

9 **KARL KENT SPENCER,**  
10 dba Kirby of Greater Oregon,

11 Respondent.

**ORDER TO CEASE AND DESIST,  
ORDER ASSESSING CIVIL  
PENALTIES AND CONSENT TO  
ENTRY OF ORDER**

12 WHEREAS the Director of the Department of Consumer and Business Services  
13 (hereinafter, “the Director”) has conducted an investigation of certain business activities  
14 conducted by Karl Kent Spencer, and the Director has determined that Karl Kent Spencer  
15 violated provisions of Oregon Revised Statutes (“ORS”) 59.005 to 59.451, 59.991, and 59.995  
16 (“the Oregon Securities Law”) and ORS 86A.095 to 86A.198, formerly ORS 59.840 to 59.980,  
17 (“the Oregon Mortgage Lender Law”); and

18 WHEREAS on April 12, 2010, the Director served an ORDER TO CEASE AND  
19 DESIST, PROPOSED ORDER DENYING USE OF EXEMPTIONS, PROPOSED ORDER  
20 ASSESSING CIVIL PENALTY AND NOTICE OF RIGHT TO A HEARING on Karl Kent  
21 Spencer; and

22 WHEREAS Karl Kent Spencer filed a timely request for hearing; and

23 WHEREAS Karl Kent Spencer now wishes to resolve and settle this matter with the  
24 Director;

25 NOW THEREFORE, as evidenced by the authorized signatures subscribed below, Karl  
26 Kent Spencer hereby CONSENTS to entry of this Order upon the Director’s Findings of Fact  
and Conclusions of Law as stated hereinafter.

//





I.

**FINDINGS OF FACT**

The Director FINDS that:

1. Karl Kent Spencer (hereinafter “Spencer”) was, at all times material herein, a resident of Lane County, State of Oregon, residing at or using the addresses of 1158 Lorella Street, Eugene, Oregon 97401; 658 Wimbledon Ct, Eugene, Oregon 97401 and 1525 Monterey Avenue, Eugene, Oregon 97440, as well as using Post Office Box 10942, Eugene, Oregon 97440. From October 3, 2002 to October 4, 2004, Spencer had registered the assumed business name of Kirby of Greater Oregon. The registration lapsed for failure to renew in October 2004. By information and belief, Spencer is now a resident of the State of Idaho.

2. On October 13, 2005, Spencer filed for Chapter 7 bankruptcy protection in the US Bankruptcy Court, District of Idaho, case no. 05-04923-JDP. Spencer was granted a general discharge on January 30, 2006.

Nature of the Scheme

3. In 2000, Spencer worked for Alliance Mortgage, a mortgage banker in Eugene, Oregon, as a mortgage loan originator. In May 2000, Alliance Mortgage went out of business. Spencer then worked for another Eugene-based mortgage lender, Allegiance Mortgage LLC. That firm subsequently dissolved in or about May 2004.

4. Beginning in February 2000, Spencer offered investments to fellow mortgage loan originators and to some of his mortgage loan customers. The nature of the offers varied somewhat, but in general terms Spencer claimed he would finance the purchase of Kirby vacuum cleaners for local door-to-door salespersons, thereby allowing the local salespersons to purchase vacuum cleaners at a volume discount price rather than the higher single unit price. The salespersons were thus able to make more profit on their sales of vacuum cleaners and pay interest on the loan to Spencer who would, in turn, make interest payments on the money placed with him by the investors. Spencer issued promissory notes to the investors who were promised



1 returns varying from eight to 15 percent on their investments. Spencer told at least one investor  
2 that he had \$350,000 of his own money invested in this scheme.

3 5. In reality, Spencer made no arrangements for the purchase and sale of Kirby vacuum  
4 cleaners. Spencer had no connection with The Kirby Company, the manufacturer of Kirby  
5 vacuum cleaners, or local salespeople. The extent of Spencer's connection with anything  
6 resembling Kirby vacuums was his registration of an assumed business name in Oregon that used  
7 the Kirby name. Spencer did not have any of his own funds invested in any such arrangements.  
8 Spencer did not use investor funds to purchase Kirby vacuum cleaners.

9 6. Some investors received payments from Spencer ostensibly as the promised return on  
10 their investments. In reality, these payments were made from Spencer's own pocket or were  
11 from funds given to Spencer by other investors. These payments were not actual returns on  
12 investments made by Spencer.

13 7. When investors requested that their interests be liquidated, Spencer was unable to  
14 comply. He gave a variety of excuses to investors for his inability to return investor funds. In  
15 fact, Spencer had no assets, had tax liens filed against him, and had filed for bankruptcy  
16 protection in 1992. When questioned by investigators acting on behalf of the Director, Spencer  
17 claimed that the funds provided by investors were personal loans.

18 Kathy Landis

19 8. At all times relevant to this matter, Kathy Landis ("Landis") was a resident of  
20 Junction City, Oregon. At all relevant times herein, Landis was employed as loan originator for  
21 Allegiance Mortgage in Eugene. It was there that she became acquainted with Spencer when he  
22 was also working for Allegiance Mortgage as a loan originator.

23 9. In February 2000, Spencer offered Landis "a really good deal" investing with him in  
24 Kirby vacuum cleaners. Spencer represented to Landis that the investment was a way for Kirby  
25 vacuum cleaner salespeople to purchase a larger inventory, save money with "volume  
26 discounts," and then pay off the investments as the vacuums were sold, door to door. Spencer



1 promised Landis a ten-percent monthly return on her investment.

2 10. Landis understood that her investments with Spencer were passive investments and  
3 that she would not have, and in fact did not have, an active role in managing the use of the  
4 investment funds or Spencer's business activities. Landis relied solely on Spencer's expertise to  
5 manage the investment and to provide the promised return of ten percent per month. Landis  
6 believed and understood that the funds she gave to Spencer were for investment in Kirby vacuum  
7 cleaners and that she would be repaid out of the proceeds of Spencer's successful sales efforts.  
8 She did not give funds to Spencer for his personal use or as a personal loan to Spencer.

9 11. In February 2000, Landis invested \$500 with Spencer and received a promissory note  
10 from Spencer. Landis initially received monthly payments of \$50 in cash from Spencer  
11 ostensibly as return on her investment. Spencer offered Landis the opportunity to roll-over or  
12 "capitalize the interest due," as Spencer put it. After a month or two, Landis began to capitalize  
13 the interest on her investment with Spencer.

14 12. From February 2000 until February 2002, Landis made additional investments with  
15 Spencer for what she believed and understood were the purchase of Kirby vacuum cleaners.  
16 With some of the new investments, Spencer gave Landis a new promissory note. Spencer did  
17 not revise the promissory notes each time Landis made an additional investment. By February  
18 2002, Landis had invested approximately \$24,000 with Spencer.

19 13. In March 2002, Landis informed Spencer that she wished to liquidate her investments  
20 with him. Spencer made excuses to Landis why he could not pay her the full amount she was  
21 owed under the terms of the notes. In 2002, Spencer did pay Landis \$2,000, but as of the date of  
22 this Order, Landis has yet to receive from Spencer the remainder of her investments.

23 14. At no time relevant to the matters herein did Spencer invest the funds obtained from  
24 Landis to purchase Kirby vacuum cleaners or instruments or investments related to Kirby  
25 vacuum cleaners.

26 15. Had Landis known that the funds she gave to Spencer would not be used to fund the



1 purchase of Kirby vacuum cleaners, she would not have given any funds to Spencer.

2 David Kammerer

3 16. At all times relevant to this matter, David Kammerer (“Kammerer”) was a resident of  
4 Eugene, Oregon and employed as loan originator for Allegiance Mortgage. In early 2001,  
5 Spencer represented to Kammerer that he had approximately \$350,000 invested in Kirby vacuum  
6 cleaners and that he was doing “really well,” by which Kammerer understood that Spencer was  
7 receiving a regular and high rate of return. Spencer solicited Kammerer to invest money in the  
8 Kirby vacuum cleaners by explaining the program as “giving money to these guys to buy  
9 vacuum cleaners at a volume discount and then you earn a higher rate of return on the  
10 investment.”

11 17. In early 2001, Kammerer began investing with Spencer. Kammerer initially gave  
12 Spencer \$10,000, subsequently adding funds, and re-investing the interest and previous principal.  
13 Kammerer eventually held two promissory notes from Spencer, each for approximately \$25,000,  
14 with the promise to pay interest in the range of eight to ten-percent per month. As of the date of  
15 this Order, Kammerer is estimated to be owed approximately \$38,000 to \$50,000 by Spencer,  
16 including interest, for the investments in Kirby vacuum cleaners.

17 18. Kammerer understood that his investments with Spencer were passive investments  
18 and that he would not have, and in fact did not have, an active role in managing the use of the  
19 investment funds or Spencer’s business activities. Kammerer relied solely on Spencer’s  
20 expertise to manage the investment and to provide the promised return. Kammerer believed and  
21 understood that the funds he gave to Spencer were for investment in Kirby vacuum cleaners and  
22 that he would be repaid out of the proceeds of Spencer’s successful sales efforts. Kammerer did  
23 not give funds to Spencer for his personal use or as a personal loan to Spencer.

24 19. In late summer 2001, Kammerer decided to liquidate his investments and began  
25 putting pressure on Spencer to return his funds. As in the case with other investors, Spencer kept  
26 coming up with excuses for not returning the funds. Contrary to Spencer’s claim, his inability to



1 repay investors had nothing to do with liquidating agreements with Kirby vacuum salespersons.  
2 Kammerer eventually consulted an attorney who hired a private investigator to conduct  
3 background research on Spencer. The investigator discovered that Spencer had no assets, that he  
4 had existing tax liens and had filed for bankruptcy protection in 1992. None of this information  
5 had been disclosed to Kammerer prior to investing with Spencer. Had this information been  
6 disclosed by Spencer, Kammerer would not have given any money to Spencer.

7 20. At no time relevant to the matters herein did Spencer invest the funds obtained from  
8 Kammerer to purchase Kirby vacuum cleaners or instruments or investments related to Kirby  
9 vacuum cleaners.

10 21. Had Kammerer known that the funds he gave to Spencer would not be used to fund  
11 the purchase of Kirby vacuum cleaners, he would not have given any funds to Spencer.

12 Dean Schmidt

13 22. At all times relevant to this matter, Dean Schmidt (“Schmidt”) was a resident of  
14 Eugene, Oregon and employed as loan originator for Allegiance Mortgage. In late spring 2001,  
15 Spencer told Schmidt about the investment arrangements with David Kammerer, and asked  
16 Schmidt if he “wanted in on it.” Spencer described the investment to Schmidt as Kirby vacuum  
17 salespersons financing the purchase of vacuum cleaners at volume discounts. Spencer told  
18 Schmidt that he had files on the Kirby salespersons, which were supposed to document or prove  
19 that the salespersons were purchasing Kirby vacuum cleaners and repaying Spencer for the loans  
20 he provided. Spencer never produced this documentation, although Schmidt requested to see it.

21 23. In spring 2001, Schmidt invested \$10,000 with Spencer. Schmidt subsequently  
22 invested additional funds such that by September 2001, Schmidt had invested a total of \$62,000  
23 with Spencer.

24 24. Schmidt understood that his investments with Spencer were passive investments and  
25 that he would not have, and in fact did not have, an active role in managing the use of the  
26 investment funds or Spencer’s business activities. Schmidt relied solely on Spencer’s expertise



1 to manage the investment and to provide the promised return of eight to ten percent per month.  
2 Schmidt believed and understood that the funds he gave to Spencer were for investment in Kirby  
3 vacuum cleaners and that he would be repaid out of the proceeds of Spencer's successful sales  
4 efforts. Schmidt did not give funds to Spencer for his personal use or as a personal loan to  
5 Spencer.

6 25. At no time relevant to the matters herein did Spencer invest the funds obtained from  
7 Schmidt to purchase Kirby vacuum cleaners or instruments or investments related to Kirby  
8 vacuum cleaners.

9 26. In September 2001, Schmidt told Spencer that he needed some funds back by a  
10 certain date. Schmidt received \$2,000 in cash from Spencer in October 2001, and also received a  
11 couple of other payments, leaving approximately \$55,000 still owing by Spencer. As of the date  
12 of this Order, Schmidt has not received the remainder of his funds.

13 27. Had Schmidt known that the funds he gave to Spencer would not be used to fund the  
14 purchase of Kirby vacuum cleaners, he would not have given any funds to Spencer.

15 Alfred L. Turnipseed

16 28. At all times relevant to this matter, Alfred L. Turnipseed ("Turnipseed") was a  
17 resident of Eugene, Oregon.

18 29. Turnipseed met Spencer in early 2000, when Turnipseed was a client of Allegiance  
19 Mortgage. Spencer assisted Turnipseed in obtaining mortgage financing to purchase a house.  
20 Turnipseed subsequently returned to Allegiance Mortgage in 2002 when he was refinancing a  
21 rental property and again dealt with Spencer in that matter.

22 30. In March 2002, after completing the refinancing of his rental property, Turnipseed  
23 was approached by Spencer with an investment opportunity involving "a deal with merchants"  
24 for buying in bulk. Later, Turnipseed learned from Spencer that this deal purportedly involved  
25 purchasing Kirby vacuum cleaners in volume for Kirby salespersons.

26 31. In March 2002, Turnipseed made his first investment with Spencer with the payment



1 of \$3,000. In April 2002, Turnipseed made a second investment of \$1,760. Turnipseed made  
2 two additional investments: in April 2002, for \$5,000; and in May 2002 for \$4,500. Altogether,  
3 Turnipseed invested a total \$15,000 with Spencer.

4 32. For each of these investments, Turnipseed wrote Spencer a check which was  
5 deposited into Spencer's personal bank account. Like previous investors, Turnipseed received  
6 promissory notes from Spencer. The notes were each to pay a monthly return of fifteen percent.

7 33. Turnipseed understood that his investments with Spencer were passive investments  
8 and that he would not have, and in fact did not have, an active role in managing the use of the  
9 investment funds or Spencer's business activities. Turnipseed relied solely on Spencer's  
10 expertise to manage the investment and to provide the promised monthly return. Turnipseed  
11 believed and understood that the funds he gave to Spencer were for investment in Kirby vacuum  
12 cleaners and that he would be repaid out of the proceeds of Spencer's successful sales efforts.  
13 Turnipseed did not give funds to Spencer for his personal use or as a personal loan to Spencer.

14 34. At no time relevant to the matters herein did Spencer invest the funds obtained from  
15 Turnipseed to purchase Kirby vacuum cleaners or instruments or investments related to Kirby  
16 vacuum cleaners.

17 35. In May 2002, Turnipseed received an interest payment of \$500 from Spencer on  
18 Turnipseed's first note. Turnipseed received no additional interest payments.

19 36. Had Turnipseed known that the funds he gave to Spencer would not be used to fund  
20 the purchase of Kirby vacuum cleaners, he would not have given any funds to Spencer.

21 Leroy C. Sauer

22 37. Leroy C. Sauer ("Sauer") initially met Spencer when he was obtaining a mortgage  
23 loan through Alliance Mortgage and Spencer was his loan originator. In April 2002, after  
24 Sauer's mortgage loan had closed, Spencer solicited Sauer concerning an investment opportunity  
25 with a quick return involving "wholesale purchases" of Kirby vacuum cleaners for Kirby  
26 salespersons.





1       38.     On or about April 3, 2002, Sauer made his first investment with Spencer with a  
2 personal check for \$5,000, for which Spencer gave him a promissory note. A couple of weeks  
3 later, Sauer received an interest payment of \$600 from Spencer. After receiving the interest  
4 income payment, Sauer was more comfortable about the investment scheme and invested  
5 additional amounts with Spencer. On or about April 23, 2002, Sauer invested another \$4,500  
6 with Spencer. On or about May 10, 2002, Sauer invested an additional \$12,000 with Spencer.  
7 For each of these investments, Sauer wrote Spencer a personal check. Sauer's checks, drawn on  
8 US Bank, were endorsed and deposited by Spencer to the latter's account at Washington Mutual.  
9 Each of the promissory notes received by Sauer from Spencer for these investments bore an  
10 interest rate of 15 percent. In total, Sauer invested \$21,500 with Spencer.

11       39.     Sauer understood that his investments with Spencer were passive investments and  
12 that he would not have, and in fact did not have, an active role in managing the use of the  
13 investment funds or Spencer's business activities. Sauer relied solely on Spencer's expertise to  
14 manage the investment and to provide the promised return of 15 percent per month. Sauer  
15 believed and understood that the funds he gave to Spencer were for investment in Kirby vacuum  
16 cleaners and that he would be repaid out of the proceeds of Spencer's successful sales efforts.  
17 Sauer did not give funds to Spencer for his personal use or as a personal loan to Spencer.

18       40.     At no time relevant to the matters herein did Spencer invest the funds obtained from  
19 Sauer to purchase Kirby vacuum cleaners or instruments or investments related to Kirby vacuum  
20 cleaners.

21       41.     Except for the original interest check of \$600, Sauer never received any repayment  
22 from Spencer for the investments. Spencer promised to keep in touch with Sauer and to make  
23 payments to return his investment, but Spencer had fled the state in mid-2003 without notifying  
24 Sauer.

25       42.     Had Sauer known that the funds he gave to Spencer would not be used to fund the  
26 purchase of Kirby vacuum cleaners, he would not have given any funds to Spencer.



1                                   Offer and Sale of Unregistered Securities by Unlicensed Salesperson

2           43.    At no time relevant to the matters described herein were the investment offerings  
3 made by Spencer to Oregon investors Landis, Kammerer, Schmidt, Turnipseed and Sauer  
4 registered with the Director as securities pursuant to the Oregon Securities Law.

5           44.    At no time relevant to this matters described herein was Spencer licensed to sell  
6 securities in Oregon pursuant to the Oregon Securities Law.

7                                   False Statements and Omissions by Spencer to Investors

8           45.    At no time relevant to this matter was Spencer associated or affiliated in any way  
9 with The Kirby Company, the manufacturer and distributor of Kirby vacuum cleaners. Spencer  
10 omitted to inform investors that he was not associated or affiliated in any way with The Kirby  
11 Company.

12           46.    Spencer omitted to tell investors what he was actually using investor funds for.  
13 Spencer also failed to inform investors that he had no assets, that he had existing tax liens, or that  
14 he had filed for bankruptcy protection in 1992. Had any of this information been provided to  
15 investors, they would not have given money to Spencer.

16           47.    Spencer falsely represented to Oregon residents Landis, Kammerer, Schmidt,  
17 Turnipseed and Sauer that he invested their funds to purchase Kirby vacuum cleaners. He also  
18 falsely claimed to have invested his own money in such arrangements in order to convince  
19 investors of the profitability and security of the investments. Spencer knew there were no such  
20 arrangements. He falsely claimed that these investments would provide a return of between  
21 eight to fifteen percent monthly when he knew that any return would actually have to be paid  
22 from his own pocket or come from funds provided by new investors. Spencer knew that he was  
23 not using investor funds to purchase Kirby vacuum cleaners.

24           48.    Spencer made these false statements of material fact or omissions while employed as  
25 a mortgage loan originator with Allegiance Mortgage, which at all relevant times herein was an  
26 Oregon-licensed mortgage broker.



1 **II.**

2 **CONCLUSIONS OF LAW**

3 49. Each investment concerning the purchase of vacuum cleaners that Spencer offered or  
4 sold to Oregon residents Landis, Kammerer, Schmidt, Turnipseed and Sauer as described herein  
5 was an "investment contract" and therefore securities as that term is defined by ORS  
6 59.015(19)(a).

7 50. None of the interests concerning the purchase of vacuum cleaners that Spencer  
8 offered or sold to Oregon residents Landis, Kammerer, Schmidt, Turnipseed and Sauer as  
9 described herein was registered with the Director as securities pursuant to ORS 59.055.

10 51. Spencer sold unregistered securities to Oregon residents Landis, Kammerer, Schmidt,  
11 Turnipseed and Sauer in violation of ORS 59.055.

12 52. Spencer transacted business in Oregon as a securities salesperson by selling securities  
13 to Oregon residents Landis, Kammerer, Schmidt, Turnipseed and Sauer.

14 53. At no time relevant to this matter was Spencer licensed to sell securities in Oregon  
15 pursuant to ORS 59.165.

16 54. In failing to disclose to Oregon investors Landis, Kammerer, Schmidt, Turnipseed  
17 and Sauer that he had no assets, that he had existing tax liens or that he had filed for bankruptcy  
18 protection in 1992, Spencer omitted to disclose material facts to the investors in violation of ORS  
19 59.135(2).

20 55. In failing to disclose to Oregon investors Landis, Kammerer, Schmidt, Turnipseed  
21 and Sauer that he did not fund the purchase of Kirby vacuum cleaners with the investor funds he  
22 was given, Spencer violated ORS 59.135(2) by making untrue statements of material fact or  
23 omitting to state material facts necessary in order to make the statements made, in light of  
24 circumstances under which they were made, not misleading.

25 56. By making untrue statements of material fact or omitting to state material facts  
26 necessary in order to make the statements made, in the light of circumstances under which they

1 were made, not misleading, while employed by a mortgage broker as a loan originator, Spencer  
2 engaged in dishonest, fraudulent or illegal practices or conduct in violation of ORS  
3 86A.183(1)(a), formerly ORS 59.971(1)(a).

4 **III.**  
5 **ORDER**

6 THE DIRECTOR ISSUES THE FOLLOWING ORDER:

7 **CEASE AND DESIST ORDER**

8 57. Pursuant to ORS 59.245, the Director hereby ORDERS Respondent Karl Kent  
9 Spencer to CEASE AND DESIST from:

10 A. Offering or selling unregistered securities in the State of Oregon, in violation of ORS  
11 59.055 and the Oregon Securities Law;

12 B. Transacting business in Oregon as a securities salesperson without a license in  
13 violation of ORS 59.165 and the Oregon Securities Law; and

14 C. Violating any provision of the Oregon Securities Law, ORS chapter 59, or Oregon  
15 Administrative Rules chapter 441.

16 58. Pursuant to ORS 86A.127(4), formerly ORS 59.885(4), the Director hereby ORDERS  
17 Respondent Karl Kent Spencer to CEASE AND DESIST from violating any provision of the  
18 Oregon Mortgage Lender Law, ORS chapter 86A, formerly ORS chapter 59, and any rule, order  
19 or policy issued by the Division.

20 **ORDER DENYING USE OF EXEMPTIONS**

21 59. Respondent Karl Kent Spencer, and any entities that employ or otherwise utilize his  
22 services for the purpose of raising capital, are, pursuant to ORS 59.045, DENIED THE USE OF  
23 ANY EXEMPTIONS, that would otherwise be available to them under ORS 59.025 and ORS  
24 59.035, to securities registration requirements.

25 **FINANCIAL SERVICES BAR**

26 60. Respondent Karl Kent Spencer is, for the protection of the investing public,





1 STRICTLY PROHIBITED from raising capital, formally or informally, from other individuals  
2 for use or investment on their behalf. Pursuant to ORS 59.205, Respondent is DENIED the  
3 ability to obtain a broker-dealer salesperson or investment adviser representative license, and is  
4 PROHIBITED from maintaining an ownership interest in or executive role with a broker-dealer  
5 or investment adviser licensed by this state.

6 61. In addition, Respondent Karl Kent Spencer is permanently BARRED from all of the  
7 following financial services business activities in Oregon:

8 A. Applying for, holding, or renewing any license or registration required by the  
9 Director in Oregon, including but not limited to insurance, consumer finance, collection agency,  
10 manufactured structure dealer, or mortgage lending; and

11 B. Respondent is further BARRED from acting as a mortgage loan originator or  
12 mortgage loan processor in Oregon.

13 **ORDER ASSESSING CIVIL PENALTY**

14 62. Pursuant to the authority of ORS 59.995 and ORS 86A.992, formerly ORS 59.996,  
15 the Director hereby ORDERS the assessment of a CIVIL PENALTY against Respondent Karl  
16 Kent Spencer in the amount of \$225,000 (two-hundred twenty-five thousand dollars) as follows:

17 A. For five violations of ORS 59.055, the Director proposes that Respondent Karl Kent  
18 Spencer be assessed a CIVIL PENALTY of \$50,000 (fifty thousand dollars), \$10,000 (ten  
19 thousand dollars) for each of the five violations of offering or selling unregistered securities in  
20 the State of Oregon.

21 B. For five violations of ORS 59.165, the Director proposes that Respondent Karl Kent  
22 Spencer be assessed a CIVIL PENALTY of \$50,000 (fifty thousand dollars), \$10,000 (ten  
23 thousand dollars) for each of the five violations of transacting business in Oregon as a securities  
24 salesperson without a license.

25 C. For five violations of ORS 59.135(2), the Director proposes that Respondent Karl  
26 Kent Spencer be assessed a CIVIL PENALTY of \$100,000 (one hundred thousand dollars),



1 \$20,000 (twenty thousand dollars) for each of the five violations of making untrue statements of  
2 material fact or omitting to state material facts necessary in order to make the statements made,  
3 in the light of the circumstances under which they were made, not misleading.

4 D. For five violations of ORS 86A.183(1)(a), formerly ORS 59.971(1)(a), the Director  
5 proposes that Respondent Karl Kent Spencer be assessed a CIVIL PENALTY of \$25,000  
6 (twenty-five thousand dollars), \$5,000 (five thousand dollars) for each of the five violations of  
7 making untrue statements of material fact or omitting to state material facts necessary in order to  
8 make the statements made, in the light of the circumstances under which they were made, not  
9 misleading, while employed by a mortgage broker as a loan originator.

#### 10 **SUSPENSION OF CIVIL PENALTY**

11 63. The Director agrees to suspend \$160,000 (one hundred sixty thousand dollars) of the  
12 CIVIL PENALTY assessed pursuant to Paragraph 62 above, provided that Respondent Karl  
13 Kent Spencer adheres to the provisions of this Order.

14 64. Respondent Karl Kent Spencer agrees to pay the sum of \$65,000 (sixty-five thousand  
15 dollars) to the State of Oregon, Division of Finance and Corporate Securities (“the Division”) as  
16 restitution for the unlawful sale of unregistered securities to the five Oregon investors named  
17 herein. Respondent’s obligations for these securities violations were not discharged pursuant to  
18 the 2006 bankruptcy proceeding.

19 65. Respondent Karl Kent Spencer agrees to make the minimum monthly payments to the  
20 Division set out in the attached Exhibit A, which is adopted by this reference. Monthly  
21 payments shall be mailed to the Division not later than the 15<sup>th</sup> day of each month. In addition to  
22 the monthly payments, Respondent Karl Kent Spencer agrees to make an additional payment of  
23 \$5,000 every June. These payments shall be mailed to the Division no later than the 20<sup>th</sup> day of  
24 the month. If Respondent Karl Kent Spencer pays the monies to the Division as set out in this  
25 Order and the attached Exhibit A, the remaining CIVIL PENALTY assessed pursuant to  
26 Paragraph 62 above will be deemed waived.



1 66. If Respondent Karl Kent Spencer fails to comply with the terms of this Order, the  
2 entire CIVIL PENALTY assessed pursuant to Paragraph 62, including any unpaid or suspended  
3 amounts, with interest charged from the date of default at the statutory interest rate of nine  
4 percent (9%) simple per annum, will become immediately due and payable to State of Oregon.

5 67. This Order resolves all the outstanding issues between the Director and Respondent  
6 Karl Kent Spencer; however, the Director reserves the right to impose the suspended portion of  
7 the CIVIL PENALTY upon a determination that Respondent Karl Kent Spencer has violated any  
8 term of this Order, or any provision of the Oregon Securities Law, ORS chapter 59, or the  
9 administrative rules adopted thereunder, OAR Chapter 441.

10 68. The entry of this Order in no way limits further remedies which may be available to  
11 the Director under Oregon law.

12 IT IS SO ORDERED.

13 Dated this 10th day of December, 2010 at Salem, Oregon.

14 CORY STREISINGER, Director  
15 Department of Consumer and Business Services

16 /s/ David Tatman  
17 David C. Tatman, Administrator  
18 Division of Finance and Corporate Securities

19 **CONSENT TO ENTRY OF ORDER**

20 I, Karl Kent Spencer, state that I am a resident of the State of Idaho, that I have read the  
21 foregoing Order and that I know and fully understand the contents hereof; that I neither admit  
22 nor deny the Findings of Fact in the foregoing Order; that I execute this Consent as a settlement  
23 of the matter referred to in the Order; that I have been advised of my right to a hearing, and that I  
24 have been advised that I could be represented by counsel in this matter; that I voluntarily consent  
25 to the entry of this Order without any force or duress, expressly waiving any right to a hearing in  
26 this matter; that I understand that the Director reserves the right to take further actions against me

1 to enforce this Order or to take appropriate action upon discovery of other violations by me of  
2 the Oregon Securities Law or the Oregon Mortgage Lender Law; and that I will fully comply  
3 with the terms and conditions stated herein.

4 I understand that this Order is a public document.

5 Dated this 8 day of December, 2010.

6  
7 /s/ Karl Spencer  
Karl Kent Spencer

8  
9 **ACKNOWLEDGMENT**

10 State of Idaho

11 County of Ida

12  
13 Signed or attested before me on this 8<sup>th</sup> day of December, 2010 by Karl Kent Spencer.

14  
15 /s/ Russell A. Moltke  
Signature of Notary Public

16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
Division of Finance and Corporate Securities  
Labor and Industries Building  
350 Winter Street, NE, Suite 410  
Salem, OR 97301-3881  
Telephone: (503) 378-4387



//

//

//

//



Exhibit A  
Schedule of Payments by Karl Kent Spencer  
to the State of Oregon, Division of Finance & Corporate Securities  
Case No. S-09-0071

<u>Date(s)</u>	<u>Amount</u>
Monthly payments on the 15 <sup>th</sup> of month, December 2010 to June 2011 .....	\$700/month *
Monthly payments on the 15 <sup>th</sup> of month, July 2011 to September 2014 .....	\$1,000/month *
One single monthly payment October 15, 2014 .....	\$1,100 *
Additional payments on June 20, 2011, June 20, 2012, June 20, 2013, and June 20, 2014 .....	\$5,000/month #

\* Monthly payments must be mailed by the 15<sup>th</sup> of the month.

# Additional payments must be mailed each June by the 20<sup>th</sup>.

(Payment amounts for all payments are the minimum required. Additional amounts may be paid if the Respondent desires.)